

PUBLIC DISCLOSURE

June 15, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

IPSWICH CO-OPERATIVE BANK

2 DEPOT SQUARE

IPSWICH, MASSACHUSETTS 01938

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MASSACHUSETTS 02110**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks (the "Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Ipswich Co-operative Bank** (the "Bank") prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "High Satisfactory"

The rating of this institution is firmly established upon five performance criteria as shown in the public evaluation, as well as a thorough review of investments, community development loans, and services. The assessment of the Bank's record of performance is based upon its efforts in meeting the criteria outlined in this report.

The Bank's net loan-to-deposit ratio was reviewed for the past eight quarters and stands at 72.1 percent, as of March 31, 2004. This ratio has averaged 69.0 percent over the previous eight quarters. A comparison of the dollar amount for the Bank's loans and deposits, as of June 30, 2002, was compared to that of March 31, 2004. This comparison revealed that deposits have increased by 28.4 percent, while net loans for the same period have increased by 41.8 percent. The Bank is considered to meet the standards for satisfactory performance in this area.

A review of the Bank's lending level was conducted utilizing the 2002 and 2003 Home Mortgage Disclosure Act ("HMDA") data. During this period, the Bank originated 430 HMDA-reportable loans, totaling approximately \$63,928,000. Of these loans, 242, or 56.3 percent, were originated inside the Bank's assessment area, totaling \$34,158,000, or 53.4 percent. This percentage would indicate that in this category, the Bank is considered to meet the standards for satisfactory performance. However, it is important to note that while the level of lending inside the assessment area is considered to be adequate, the Bank was able to achieve a market share ranking of second within the assessment area, a positive enhancing factor used in the overall analysis.

An analysis of HMDA-reportable originations by income of the borrower was also conducted utilizing the HMDA/ Loan Application Registers (LAR) data for 2002 and 2003. The Bank extended 27 HMDA-reportable loans to low-income borrowers, representing 11.2 percent of total originations within the assessment area. In addition, the Bank extended 52 loans to moderate-income borrowers, representing 21.5 percent of the HMDA-reportable originations inside the assessment area. During 2002, the Bank ranked first in lending to low- and moderate-income borrowers in its assessment area. The Bank is considered to exceed the standards for satisfactory performance in this area.

GENERAL INFORMATION (continued)

The Bank's assessment area is comprised of three census tracts. Of these census tracts, two are designated as middle-income and one is upper-income. The Bank has penetrated all of the census tracts in Ipswich, and has dispersed loans in a manner consistent with the demographics of the assessment area. The Bank is considered to meet the standards for satisfactory performance for this criterion.

At management's request, the Division considered investments and services in the overall rating. The Bank's activities in these areas enhanced credit availability within its assessment area and contributed to the overall rating of "High Satisfactory."

Finally, there were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

The Bank is a full-service mutually-owned state-chartered co-operative institution, headquartered at 2 Depot Square in Ipswich, Massachusetts. In addition to the Bank's main office, a limited service educational branch is maintained at Ipswich High School. Both offices are located in middle-income census tracts. As of March 31, 2004, assets totaled \$146,294,000, of which 60.0 percent are in the form of net loans.

Refer to the following table for additional information on the breakdown of loans.

Loan Portfolio Composition

Loan Type	Amount (000s)	Percent
One to Four-Family Residential Mortgages	\$69,211	78.0%
Commercial Real Estate	\$8,969	10.1%
Construction and Land Development	\$1,457	1.6%
Commercial Loans	\$2,297	2.6%
Equity Lines of Credit	\$6,276	7.1%
Consumer Loans	\$572	0.6%
Total Gross Loans	\$88,782	100.0%

Source: March 31, 2004 Consolidated Report of Condition.

The Bank is primarily a residential lender with 78.0 percent of its loans consisting of 1 to 4 family residential mortgages, followed by commercial real estate with 10.1 percent, and equity lines of credit with 7.1 percent. During 2002, 2003, and year-to-date June 30, 2004, the Bank sold 25 loans to Freddie Mac, totaling \$4,610,925.

The Bank has strong competition from several financial institutions within its assessment area. These financial institutions include, but are not limited to: First National Bank of Ipswich and BankNorth (formerly Ipswich Savings Bank), as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and serves to keep the Bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, based on 2002 aggregate performance data, indicates that 197 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the Bank's assessment area. The Bank ranked second in its assessment area for mortgage originations, with a 6.79 percent market share.

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of the community. The Bank's most recent CRA evaluation, performed by the Federal Deposit Insurance Corporation ("FDIC") as of March 24, 2003 assigned the institution a rating of "Satisfactory." The previous evaluation, performed by the Division as of April 14, 1999, assigned the Bank a rating of "High Satisfactory."

Description of Assessment Area

The Bank defines its assessment area as the Town of Ipswich, which is located in Essex County, in the Boston, MA-NH Metropolitan Statistical Area (MSA).

According to the 2000 census data, the population of the Bank's assessment area was 12,978, of which 3.1 percent are minorities. The assessment area consists of three census tracts, two designated as middle-income and one designated as upper-income.

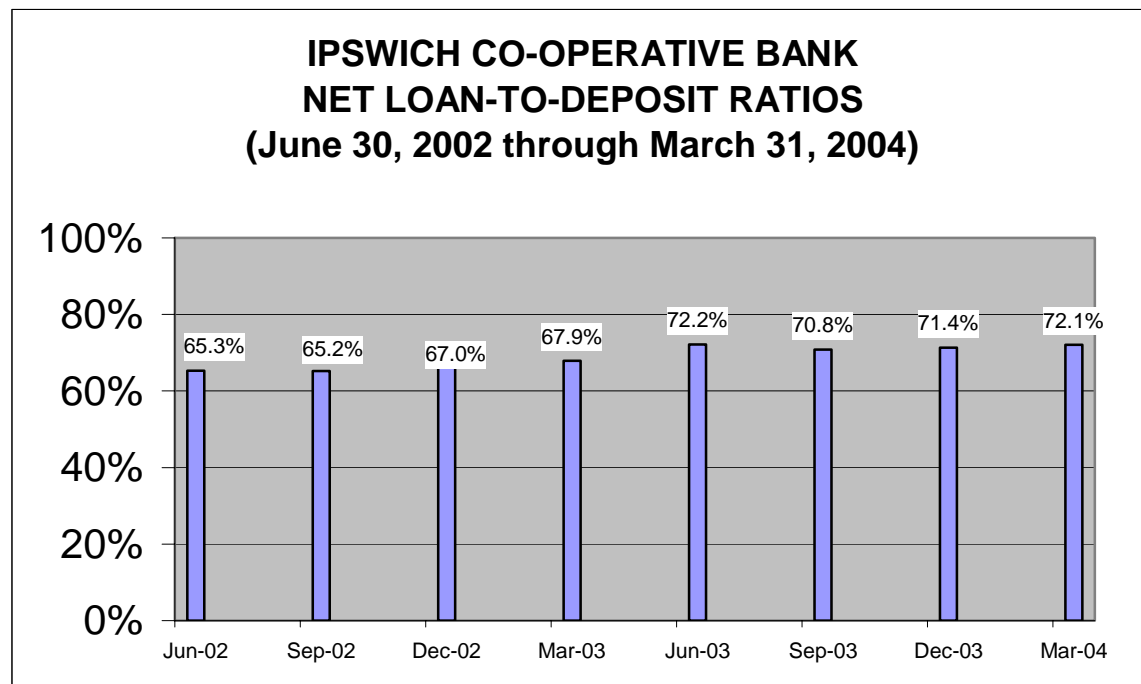
The Town of Ipswich is located 28 miles north of Boston and is bordered by Topsfield, Hamilton, and Essex to the south; Boxford to the west; Rowley to the north, and the Atlantic Ocean to the east. Once a thriving mill town, today Ipswich is a culturally and economically diverse community of approximately 13,000 people. Ipswich's growth as a suburban town occurred during the 1950's, and many residents commute to Boston by train and automobile.

The median family incomes for the Boston MSA for 2002 and 2003 are \$74,200 and \$80,800, respectively. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

A comparative analysis of the Bank's quarterly net loan-to-deposit ratios for the period of June 30, 2002 through March 31, 2004 was conducted during this examination. Using the Bank's quarterly Call Reports, the average net loan-to-deposit ratio for this period is 69.0 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The following graph is provided for further analysis.



The net loan to deposit ratio stood at 72.1 percent as of March 31, 2004. A review of the Uniform Bank Performance Report ("UBPR") indicates that the Bank's ratio is slightly below that of its peer group. The UBPR places the Bank's net loan to deposit ratio in the 41st percentile with the peer group average resting at 77.2 percent for the same quarter. This review appears to be indicative of the Bank's performance throughout the time period covered by this analysis.

A comparison of the dollar amount for the Bank's loans and deposits, as of June 30, 2002, was compared to that of March 31, 2004. This comparison revealed that deposits have increased by 28.4 percent, while net loans for the same period have increased by 41.8 percent.

PERFORMANCE CRITERIA (CONTINUED)

1. LOAN TO DEPOSIT ANALYSIS (continued)

As mentioned previously, the Bank sells some of its fixed-rate loans to Freddie Mac. Over the eight quarters reviewed, the Bank sold 21 loans, totaling approximately \$3.8 million. The Bank retains the servicing rights on its sold loans. The sale of loans provides additional resources for the Bank to fund other loan activity. In addition, the Bank occasionally borrows from the Federal Home Loan Bank, and utilizes the money to fund loan growth.

Based on the above analysis and review, as well as consideration of the Bank's capacity to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the Bank's net loan to deposit ratio is considered to meet the standards for satisfactory performance. However, market rank reports for 2002 reveal that the Bank was second in originations for HMDA reportable loans in the Town of Ipswich, an enhancing factor in the analysis of performance under this criterion as well as the overall performance rating of the institution.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

The Bank's 2002 and 2003 HMDA/LARs were reviewed to determine the amount of credit extended within the Bank's assessment area. During this period, the Bank originated 430 HMDA-reportable loans, totaling approximately \$63,928,000. Of these loans, 242, or 56.3 percent, of the number were originated inside the Bank's assessment area, totaling \$34,158,000, or 53.4 percent, of the dollar amount.

Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2002	110	53.7%	14,084	48.2%	95	46.3%	15,110	51.8%
2003	132	58.7%	20,074	57.8%	93	41.3%	14,660	42.2%
Total	242	56.3%	34,158	53.4%	188	43.7%	29,770	46.6%

Source: 2002/2003 HMDA DATA

As indicated in the table above, a majority of the Bank's loans originated during the examination period were inside the Bank's assessment area. Performance levels for 2002 indicate that a slight majority of the number of loans was originated in the assessment area, while less than a majority of the dollar amount was inside. The Bank's number of loans increased by 9.8 percent from 2002 to 2003. Similarly, by dollar volume, the Bank's HMDA-reportable loans increased by 19.0 percent for the same time period.

PERFORMANCE CRITERIA (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S) (CONTINUED)

The small majority of originations within the assessment area becomes more noteworthy when reviewing market share ranking reports obtained through PCI Services Inc., CRA WIZ software. The most recent ranking reports available cover calendar year 2002. The Bank was ranked as the number two lender within the Town of Ipswich, capturing 6.79 percent of market share, behind Washington Mutual Bank, FA, which accounted for 9.01 percent of the market share. The three institutions that ranked behind the Bank were Countrywide Home Loans, Fleet National Bank, and GMAC Mortgage.

The Bank's level of residential lending activity within the assessment area is considered to meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Bank's HMDA-reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston, MA MSA. The income figures are based on estimated HUD information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows, by number, HMDA-reportable loans to low-, moderate-, middle-, and upper-income borrowers, in comparison to the percentage of total households within the assessment area, in each respective income group.

Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number

Borrower Income Level	Total Households		2002		2003		Total	
	#	%	#	%	#	%	#	%
< 50%	1,226	23.2%	11	10.0%	16	12.1%	27	11.2%
50 – 79%	837	15.8%	27	24.5%	25	19.0%	52	21.5%
80 – 119%	926	17.5%	34	30.9%	47	35.6%	81	33.4%
> = 120%	2,299	43.5%	32	29.1%	42	31.8%	74	30.6%
N/A	0	0.0%	6	5.5%	2	1.5%	8	3.3%
Total	5,288	100.0%	110	100.0%	132	100.0%	242	100.0%

Source: HMDA/LAR Data for the period 1/1/02 to 12/31/03

PERFORMANCE CRITERIA (CONTINUED)

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS (CONTINUED)

During 2002 and 2003, the Bank extended 27 HMDA-reportable loans to low-income borrowers, representing 11.2 percent of total originations within the assessment area. Although these numbers are below the 23.2 percent of low-income households within the assessment area, there are mitigating factors present that account for this disparity, such as competition, the percentage of people living below the poverty level who cannot afford to purchase a home, and the high cost of homes within the Town of Ipswich.

In addition, the Bank extended 52 loans to moderate-income borrowers, representing 21.5 percent of the HMDA-reportable originations inside the assessment area. The number of loans to moderate-income borrowers is above the 15.8 percent of moderate-income households within the assessment area.

The distribution of the Bank's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities, such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2002.

The following table shows the Bank's distribution of loans among various income levels, compared to that of the other 197 HMDA-reportable lenders throughout the Bank's assessment area in 2002.

Distribution of HMDA Reportable Loans – Assessment Area Ipswich Co-operative Bank Compared to All Other Reporters								
Median Family Income Level	Number of Loans				Dollar Amount of Loans			
	Ipswich Co-operative Bank		All Other Reporters		Ipswich Co-operative Bank		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	11	10.0%	50	3.3%	979	6.9%	6,287	1.8%
Moderate	27	24.5%	175	11.6%	2,685	19.1%	27,224	7.7%
Middle	34	30.9%	381	25.2%	4,630	32.9%	73,019	20.8%
Upper	32	29.1%	654	43.3%	5,010	35.6%	178,126	50.6%
NA	6	5.5%	251	16.6%	780	5.5%	67,083	19.1%
Total	110	100.0%	1,511	100.0%	14,084	100.0%	351,739	100.0%

Source: HMDA\LAR 2002 HMDA Aggregate Data

As shown above, the Bank's percentage of lending to borrowers of low-income is well above the aggregate by number and dollar amount for 2002. The Bank originated 10.0 percent by number, and 6.9 percent by dollar amount, of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 3.3 percent by number, and 1.8 percent by dollar amount.

PERFORMANCE CRITERIA (CONTINUED)

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS (CONTINUED)

The Bank's HMDA-reportable loans originated during 2002 to moderate-income borrowers accounted for 24.5 percent by number, and 19.1 percent by dollar amount, within the assessment area. Both number and dollar volume are also well above the aggregate's lending to moderate-income borrowers for 2002, as 11.6 percent by number and 7.7 percent by dollar volume of the aggregate's lending were originated to moderate-income borrowers.

An analysis was also performed to determine how the Bank's originations compare to the other 197 lenders within the assessment area. During 2002, the most recent data available, the Bank ranked first in lending to low- and moderate-income borrowers throughout the assessment area. This ranking is considered excellent given the size, financial capacity, and resources of the Bank, as well as the strong competition within the Bank's assessment area.

Based on the information above, the Bank's lending to borrowers of different income levels, especially those of low- and moderate-income, reflects an excellent level of performance. Therefore, the Bank is considered to exceed the standards for satisfactory performance in this criterion.

4. GEOGRAPHIC DISTRIBUTION

The Bank's HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level. The assessment area is comprised of three census tracts.

The following table provides a breakdown of the census tracts, by number, of the Bank's HMDA-reportable loan originations within the Town of Ipswich. For 2002, the 1990 census data was utilized, and indicate that census tracts 2231.00 and 2232.00 were designated as middle-income, and 2233.00 was designated as upper-income. However, when using the 2000 census data for calendar year 2003, 2231.00 is designated as upper-income, while the two remaining census tracts are designated as middle-income.

**Distribution of HMDA Reportable Loans Within the Assessment Area by
Census Tract Income Level by Number**

Census Tract Income Level	2002		2003		Total	
	#	%	#	%	#	%
2231.00	35	31.8	51	38.6	86	35.5
2232.00	38	34.6	34	25.8	72	29.8
2233.00	37	33.6	47	35.6	84	34.7
Total	110	100.0	132	100.0	242	100.0

Source: HMDA/LAR Data

PERFORMANCE CRITERIA (CONTINUED)

4. GEOGRAPHIC DISTRIBUTION (CONTINUED)

Based on the analysis of the geographic distribution of HMDA-reportable loans, the Bank has granted loans in all census tracts within Ipswich and has disseminated the loans in a manner consistent with the demographics of the assessment area. The Bank's performance in this criterion is considered to meet the standards for satisfactory performance.

5. FAIR LENDING POLICES AND PRACTICES

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Bank's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of discrimination was detected.

The Bank has a written Fair Lending Policy that is incorporated into its Loan Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, and guidance to Bank employees on how to comply with fair lending policies and procedures.

The Bank markets its services and products to its community primarily through print advertisements.

MINORITY APPLICATION FLOW

The Bank's assessment area is made up of 97% white individuals and 3% minority individuals. The Bank's minority application flow was compared to the racial composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow. For the period of January 4, 2002 through December 30, 2002, there were 4 applications received from minority applicants with all 4 being approved.

Qualified Investments & Services

At management's request, the Bank's performance in the area of qualified investments and services was reviewed. To be considered for review, an investment or service must meet the definition of community development. Community development purposes are defined as affordable housing, community service, economic development, and community stabilization/revitalization. Community development services must relate to the provision of financial services.

The Bank's activities in these areas further support credit availability within its assessment area and contribute to the overall rating of High Satisfactory.

Investments

The Bank's investments in 2002, 2003, and year to date June 30, 2004, consisted of monetary contributions to local charitable groups and to business organizations.

Contributions were granted to several charitable organizations, including: Ipswich Family YMCA, Massachusetts Bankers Association Charitable Fund, Consumer Credit Counseling Services, and The American Cancer Society. The Bank has granted qualified CRA contributions of approximately \$23,000 over the past two and a half years.

The investments described above benefit the community and low- and moderate-income individuals and provide additional support to the overall rating of High Satisfactory.

Services

The Bank's main office is located in a middle-income census tract in Ipswich. The Bank also offers a limited-service branch at Ipswich High School for students and teachers. Students work at the educational branch and develop basic banking knowledge through classroom studies and hands-on branch operation experience.

The Bank offers the following alternative delivery systems that enhance customer accessibility to services: 24-hour telephone banking; 24-hour transactional online banking, including bill paying; and 24-hour informational web site with electronic mail capabilities. The Bank maintains two ATMs: a walk-up ATM, and a drive-up ATM, all linked to the NYCE and CIRRUS networks. The Bank continues to participate in the SUM Program. The SUM program is a surcharge-free alliance of over 2200 Massachusetts ATMs. This program is designed to provide consumers with surcharge free banking alternatives throughout a broad geographic area in Massachusetts.

The Bank refers first time homebuyers to www.mgic.com, which offers free online training. At the conclusion of the training, a representative of MGIC calls the applicants to issue a telephone test and provide additional counseling as needed. Upon completion of the test, the applicant is issued a certificate that satisfies FHLMC requirements for first time homebuyers. If an applicant does not have Internet access,

the Bank contacts MGIC directly with a request to mail the borrowers the appropriate training materials.

The Bank also offers a variety of fixed and adjustable rate mortgages for first time homebuyers. There were no first time homebuyer loans originated during the time period covered by this evaluation. Loans are available for borrowers with as little as three percent down through Freddie Mac's affordable loan programs. As a portfolio lender, the Bank has the flexibility to work with individual buyers to purchase low- and moderate-income units made available through Massachusetts Chapter 40B comprehensive permit developments or other local affordable housing initiatives.

Community Development Services

The Bank is considered proactive within its assessment area. Officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvements, the Bank's staff lends their technical expertise, experience and judgment to these organizations. Following are some examples:

Federal Home Loan Bank of Boston (FHLBB) – Affordable Housing Program (AHP) – The Bank submitted applications for two area non-profits since the last evaluation, in an effort to promote and gain financing for affordable housing development in Ipswich. One of the applications was approved for financing by the FHLBB, which will result in the construction of 48 units of affordable housing as well as space for a day care facility.

Ipswich Business Association – The Bank's CRA Officer serves as the Treasurer of this association and uses his financial expertise to maintain the organization's books, budget and forecasts cash flow.

Oakhill Corporation – The Bank's President and a member of the Board of Directors serve on the Board of Advisors for this organization. Oakhill Corporation oversees the local low- and moderate-income and senior congregate housing facility on Central Street in Ipswich.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

IPSWICH CO-OPERATIVE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **June 15, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 2 Depot Square in Ipswich, Massachusetts.

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.